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ABSTRACT

The architects of public resource allocation systems have put forth Planning Programming Budgeting Systems (PPBS) as a more rational method of managing the Federal establishment because PPBS allows identification of governmental objectives and reduces the opportunity for perpetuation of an enterprise which may no longer be necessary. Advantages of PPBS other than conventional budgeting are discussed, such as a means to give the concerned decision maker a better way to meet his responsibilities. (AP)

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The Difference Between Conventional Budgeting and PPB

by

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Paper presented at an Institute on Program Planning and Budgeting Systems for Libraries at Wayne State University, Detroit, Michigan, Department of Library Science, Spring 1968

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Introduction

by
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The following paper was presented at an institute on Program Planning and Budgeting Systems for Libraries, held at Wayne State University under the Higher Education Act, Title IIB, in the spring of 1968.

The intent of the institute was to introduce administrators and finance officers of large libraries, public, state, and academic to the principles and procedures of PPBS.

Each participant in the institute brought with him the most recent budget document from his own library, and with the help of the institute staff, attempted to convert it into a PPBS presentation.

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It would be interesting to turn the calendar back just three years and to ask any knowledgeable group of public administrators if they had even heard of the alphabetic designation "P-P-B-S" at that time. Chances are very high that only a small percentage could answer in the affirmative. The fact that it is a topic of sufficient current value for this University and the U.S. Office of Education to sponsor and for you ladies and gentlemen to spend two weeks probing it, suggests that the P-P-B System is indeed a topic of more than routine interest.

Why is this so? Why did Robert McNamara shake up the Department of Defense management decision-making process in 1961 by directing institution of the P-P-B System? Why did President Johnson similarly shake up the non-defense federal establishment with Memorandum 66-3 in 1965? Why have states, counties, cities, and public librarians become concerned about P-P-B-S? I believe two essential conditions existed in the federal establishment and exist today in a lesser extent in state and local governments - first, many governmental operations have become so large with independent pockets of authority as to become basically unmanageable and, second, any reasonable extrapolation of demand for resources indicates the gross deviation between income and demand; thus a rational way to choose among various services, activities, and units is necessary. The architects of public resource allocation systems have put forth the planning-programming-budgeting system

as that more rational way.

How does P-P-B-S differ from conventional budgeting? It seems to me the following basic differences exist between the two approaches to the resource allocation process. I don't suggest that these items are arrayed in any sense of importance and they are not entirely discreet but are worthy of discussion.

1. Public budgeting emphasis.
2. Identification of governmental objectives
3. Identification of program outputs.
4. Consideration of all pertinent costs in a multi-year time frame.
5. Development of alternative ways to achieve objectives.
6. Progress measurement.
7. Public problem definition and solution.
8. Strengthened management decision-making.
9. Influences from the form and content of information

Let's look at these points individually.

1. Public Budgeting Emphasis

Public budgeting in the United States has evolved through three distinct stages with considerable influence being exerted by the private sector at each step. In its initial stage the primary emphasis was on central control of spending and the budget was utilized to guard against administrative abuses. This stage of development extended to the mid-1940's and the detailed classification of object of expenditures was the main control mechanism. The privately supported New York Bureau of Municipal Research was asked in 1917 to develop a budget system for the City of New York. Their report contained this

statement:

> "An act of appropriation has a single purpose - that of putting a limitation on the amount of obligation which may be incurred and the amount of vouchers which may be drawn to pay for personal services, supplies, etc. The only significant classification of appropriation items, therefore, is according to persons to whom drawing accounts are given and the classes of things to be bought."

The second stage of development was <u>management oriented</u>. It grew out of the governmentally imposed wartime concern for the efficient performance of work. It prescribed activities in relation to organizational entities established as the structure within which services were provided. In other words, the organizational unit manager was expected to use the appropriation to accomplish his unit's assigned activities. This performance budget, with its heavy emphasis on cost accounting, represented a "work program" and was concerned with the <u>process of work</u>, i.e., what methods should be used to do the job.

The third stage centers on a <u>planning orientation</u>. The programming-planning-budgeting system focuses on the <u>purpose of work</u>, i.e., what are the goals and objectives of the program and what is it expected to accomplish at given levels of support. This system strives for a multi-purpose budget concept that gives adequate and necessary attention to the control and management processes. Ideally the planning function is centralized in the chief executive and the managerial and control responsibilities would be delegated to the supervisory and operating levels, respectively. This is why we frequently say the P-P-B System contains little that is really new

but, importantly, it represents a means of combining these traditional concepts of public budgeting into a package which allows systemmatic application of scientific techniques to total governmental planning, programming and budgeting.

2. Identification of Governmental Objectives

The normal and natural tendency is for governmental programs and activities tooperate like perpetual time machines. Too often in the conventional budgeting sense, we perpetuate an activity or enterprise by adding the necessary annual sustaining increment without pausing to ascertain whether what we are doing is required, or if our way of operating is the best way. The traditional response to demands for new services and activities which emanate from the changing societal needs is to add another bureau of division here and there to perform the specific activity. Governors, legislators, mayors, councils, supervisors, etc., continually demand that non-essential services be discontinued. Concern for people and things bought has supported a condition of managerial inertia in this regard which effectively precludes increased efficiency or economy.

The most essential step in the P-P-B-S idea is to specify governmental objectives. The explicit purpose of the government is to satisy the public's actual and potential service demands. The aid of identifying governmental objectives is to define as sharply as possible why the government exists. Too often programs become operational without planning and objective identification. To be effective the P-P-B-S process requires the chief executive to specify his program objectives. Against this determination then, the governmental programs are arrayed in program structures, and the chief executive and his policy staff can see the competing and complementary programs involved

in carrying out such objectives. In summary, traditional budgeting is concerned with "where do we go from here" while P-P-B is concerned as to "where do we want to go and how best can we get there".

3. Identification of Program Outputs

As I have noted earlier, the traditional budgeting processes are concerned with personal services, rent, electricity, adding machines, etc. These are inputs and represent the sum-total quantity of what is bought by the program expenditures. P-P-B-S is concerned with the purpose of work or what is to be done for whom. Expenditure decisions make on the basis of expected output shifts the emphasis away from cost components of public programs (number of persons employed, equipment, etc.).

The idea of an output is thus inseparably linked to the idea of meeting specified objectives. The determination of governmental service outputs is even tougher than setting forth its objectives. The past dependence on objects of expense and organizational responsibilities has essentially precluded public administrators from thinking in terms of service outputs. In short, P-P-B-S focuses on the output of program activities while traditional budgeting is concerned with inputs.

4. Consideration of all Pertinent Costs in a Multi-Year Time Frame

The easiest way to get a program started is to suggest that the desired activity can be accomplished with one man, a desk and telephone, and some travel money! It can be said with fair certainty that all program administrators have used this device in a traditional budget context and that some of our largest governmental services today emerged from this beginning. The general feeling that "if we allow the real extended-year costs we will scare off gubernatorial and legislative support", has long been voiced and, I submit is now invalid. A fundamental problem inherent in the traditional incremental budgeting process

is that no one knows where the governmental service level is going in the future. Multiple year program and financial planning, except in capital outlay, has been virtually non-existent.

The P-P-B-S process affords the decision-maker and program innovator the opportunity to justify hi program on the merits of its objectives and provides a helpful perspective as to likely fiscal commitments which need to be established and recognized at the time initial decisions are made. By and large, every governmental jurisdiction has existed from tax increase to tax increase. The Parkinsonian thesis that governmental expenditures rise to the level of resources has traditionally been true simply because budget progress was not planned beyond one year. The consideration of all pertinent program costs over a 3-5-7 year time frame enables the decision-makers to plan expansion of service levels on an orderly, systemmatic basis, and not by spurts occasioned by expansions and contractions of the economy. Conversely, they are also able to effectively contract programs and maximize outputs if that need arises.

5. Development of Alternative Ways to Attain Objectives

In my ten years of working in a governmentally related research capacity and for the Bureau of the Budget, I cannot recall a single alternative way to accomplish a given program objective being proposed for gubernatorial consideration. This is not a unique experience. We have proposed certain minor internal alternative situations in response to a query which could be so handled. I am sure agency heads have at one time or another considered alternatives but generally not in perspective to accomplishing the same objective. Basically the chief executive, be he manager, mayor, or governor, is given one

choice to deny or affirm. This is due to the nature of our historical development - we start from where we are and add on. This is traditional incremental budgeting.

The program budgeting system provides the capacity for a major departure from this pattern. By defining the program objective and establishing output measure, the groundwork is prepared for considering alternative methods of accomplishing those criteria. The cornerstone of P-P-B-S is the systemmatic identification and analysis of alternative ways to achieve government objectives. Managers and administrators often become too involved in "their way" to be visionary in considering other approaches. These alternative means to a given end do not automatically evolve nor do they array themselves in order so that all you need to do is pick number one or the best of the top three. The three test factors of intersubjectivity, objectivity, and explicitness counter the basic modus operandi of most program managers and heighten the requirement for analytical job skills at all staff levels. In traditional budget processes we simply did not feel the influences of economic, social and statistical analyses in posing resource allocation alternatives for consideration. They are very much in evidence at this time.

6. Progress Measurement

This point might be considered minor but, nonetheless, I think, important. The emphasis of traditional budgeting systems has been on controlling expenditures by classifying expenditure authority in terms of objects of expense - what may be purchased. This concept has become so ingrained in governmental operations that we find as we attempt to implement the program budgeting system, the overriding concern of legislators is still "how many people are on the payroll

at what level" and what equipment are you buying". Likewise, program administrators cannot focus on alternative methods of achieving stated ends without pressing for step increases, inflation adjustments, etc.

Incorporation of the planning technique and orientation with the traditional fiscal control outlook should produce a process for making program policy decisions that lead to a specific budget and specific multi-year plan directly related to specific objectives. The notion that progress toward these objectives should be measured is not likely to trouble you. If outputs mean only those programmatic end-products which satisfy explicit objectives, then the P-P-B-S process enables us to ascertain whether the output which had been planned has materialized and whether the distribution and impact of that output has occurred as intended.

7. Public Problem Definition and Solution

A budgeting process which accepts the existing base and examines only the increments or decrements from these will produce decisions to transfer the present into the future with a few small variations. That process simply does not provide a means to come to grips with the problems of the future.

A budget-making process which begins with objectives will require current operations to compete on an equal footing with new proposals. A major and generally not sufficiently appreciated task for the program analyst or administrator is the definition of the real problem confronting him. A budgeting process committed to the established base is implemented by calling for agency estimates. These estimates start at the lowest level of the organization and are aggregated to the top. To be effective the programming-planning-budgeting system must reverse this data gathering and decision-

making flow. Before a call for budget requests is issued, top management must issue policy constraints in relation to program priorities and every level down from there must issue policies consistent with these objectives. This is essential if government is to define the problems it faces and set about to develop the means to accomplish these tasks.

8. Strengthened Management Accountability

In a general sense, governmental agencies have been held accountable by, and to, the chief executive for providing "administrative support" in the management and control of public expenditures within the constraints of object and organizational appropriations. As governmental operations have greatly expanded in recent years these principal executives have become too busy to locate, identify in specifics, and hold direct reins of responsibility.

P-P-B-S is a multi-purpose system which can effectively strengthen managerial accountability to the chief executive officer. The P-P-B-S accountability concept focuses the attention of each agency directly on the question - what is our business? The process of identifying goals and objectives and specifying output expectations provides a basis for directly holding program managers accountable for specifically what goods and services are delivered and to whom.

9. Influneces from the Form and Content of Information

As public budgeting concepts have changed as it evolved through its various phases, so to has the nature of the information developed as part of the budget request process. The familiar "narrative" statements explaining and justifying why the additional people, supplies, andequipment were

necessary emerged with the management-oriented performance budget concept.

Since we are not theoreticians in a classroom but, rather, practitioners in the various arenas of government, what difference does it make whether the central budget process is oriented toward planning rather than management? Does the change merely mean a new way of making decisions, or does it mean different decisions as well? Allen Shick, professor of political science at Tufts University, asserts that the case for P-P-B rests on the assumption that the form in which information is classified and used governs the actions of budget decision-makers, and, conversely, that alterations in form will produce desired changes in behavior. I believe that this process which requires a significant change in the form and context of information presented to the decision-maker does create a different environment for choice.

While these points have represented the generally accepted conceptual differences between program budgeting and conventional budgeting, they do not, in and of themselves, guarantee any different perceptions. Attitudinal changes have long been required on the part of those on whom the burden of allocating public resources falls. The major forces demanding eradication of our social, economic, and political problems and those demanding lesser tax burdens must be met head on. To maximize effectiveness in using available resources priorities will simply have to be established. Cost-benefit analyses to assist in selecting the best combination of alternatives to lessen the outcry of these competing forces will be required. I believe the planning-programming-budgeting system gives the concerned decision-maker a better way to meet his responsibilities than traditional, incremental budget practices have in the past or are likely to in the future.